PRINCE EDWARD ISLAND

GRAIN ELEVATORS CORPORATION

Eighth Annual Report

FOR THE CROP YEAR ENDED JULY 31ST

1985

KENSINGTON
PRINCE EDWARD ISLAND

87-01367/

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The HONOURABLE PROWSE CHAPPELL

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Eighth Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the Auditor General's financial statement for the fiscal crop year ending July 31, 1985.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

EIGHTH ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

For the Fiscal Year Ending July 31, 1985

BOARD OF DIRECTORS

John Callaghan ..... President
Harold Cairns ..... Vice-President
Gordon Williams ..... Secretary-Treasurer
Keith Bernard ..... Director
Melvin Ling ..... Director
Winburn Harris ..... Director
Clayton Bulpitt ..... Director
Dave Faulkner ..... Special Advisor

HEAD OFFICE STAFF

Wallace Murphy ..... Executive General Manager
Debra Montgomery ..... Clerk-Typist
Barbara Johnstone ..... Clerk-Typist

ELEVATOR OPERATIONS STAFF

No. 1 Elevator – Kensington, P.E.I.

Clive Drummond ..... Manager
Kenneth McCarville ..... Assistant Manager
Andy Gauthier ..... Elevator Worker

No. 2 Elevator – Roseneath, P.E.I.

J. Ronald Somers ..... Manager
Bill McGuigan ..... Elevator Worker

No. 3 Elevator – Elmsdale, P.E.I.

Donald McCarthy ..... Manager
Edmond Gaudet ..... Elevator Worker

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevators Corporation was established under Bill No. 49, the 4th Session, 43rd General Assembly; 26 Elizabeth 11, 1977.

OBJECTIVE OF THE CORPORATION

The objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the industry through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying, storage and distribution outlet to the grain producer, livestock feeder and the feed industry.

FINANCIAL PARTICIPATION

The Prince Edward Island Government provides funding to purchase grain and funds for the Corporations operating costs. These funds are returned to the Provincial Treasury from the sale of grain and services provided by the Corporation through drying charges, handling and elevator charges, storage and interest charges.

1984-1985 CROP YEAR CONDITIONS

An average to poor growing season; however, the grain coming into the elevators was of good quality. This was the first year for the protein bonus plan and seemed well received by farmers. The full effects of this plan will not be known until the following harvest season.

NUMBER OF PRODUCERS AND USERS OF GRAIN

This report covers the crop year August 1, 1984, to July 31, 1985, which was the eighth year of operation of the Prince Edward Island Grain Elevators Corporation,. the Twelfth year for the Kensington Grain Elevator, the eighth year for the Roseneath Grain Elevator, and the seventh year for the Elmsdale Grain Elevator.

The following is a breakdown of buyers and sellers who are using the grain elevator system:

Kensington (No. 1): There were approximately 180 buyers of grains. There were approximately 200 cheques issued to Island grain producers for a total of $595,643.

Roseneath (No. 2): There were approximately 90 buyers of grains. There were approximately 140 cheques issued to Island grain producers for a total of $400,279.

Elmsdale (No. 3): There were approximately 90 buyers of grains. There were approximately 125 cheques issued to Island grain producers for a total of $301,054.

The average price paid to the Island grain producer was as follows:

Barley	–	$142.65 m.t.
Oats	–	$129.52 m.t.
Wheat	–	$167.96 m.t.
Rye	–	$129.82 m.t.

The average price paid for Western grains and Ontario Corn was as follows:

Barley	–	$138.29 m.t.
Oats	–	$138.39 m.t.
Wheat	–	$165.58 m.t.
Corn	–	$150.83 m.t.
Soybean	–	$307.60 m.t.

VOLUME OF HANDLINGS AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat purchased		
Kensington No. 1	868.896	
Roseneath No. 2	733.670	
Elmsdale No. 3	–	
Total		1602.566
Western Wheat purchased		
Kensington No. 1	143.106	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total		143.106
Total Wheat purchased		1745.672
Island Oats purchased		
Kensington No. 1	948.713	
Roseneath No. 2	649.740	
Elmsdale No. 3	480.368	
Total		2078.821
Western Oats purchased		
Kensington No. 1	308.315	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total		308.315
Total Oats purchased		2387.136

	Metric Tonnes	
Island Barley purchased		
Kensington No. 1	2289.185	
Roseneath No. 2	1453.499	
Elmsdale No. 3	1751.191	
Total		5493.875
Western Barley purchased		
Kensington No. 1	2167.139	
Roseneath No. 2	1007.701	
Elmsdale No. 3	221.981	
Total		3396.821
Total Barley purchased		8890.696
Ontario Corn purchased		
Kensington No. 1	849.402	
Roseneath No. 2	257.693	
Elmsdale No. 3	209.870	
Total Corn purchased		1316.965
Island Rye purchased		
Kensington No. 1	194.536	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total Rye purchased		194.536
Soybean meal purchased		
Kensington No. 1	701.929	
Roseneath No. 2	157.170	
Elmsdale No. 3	–	
Total Soybean purchased		859.099
Total Grain purchased		15394.104

As well as purchasing grain from farmers, each elevator also receives grain to dry and store. These volumes are as follows:

Kensington No. 1	Metric Tonnes	
Barley	235.009	
Oats	225.403	
Wheat	27.459	
Corn	164.018	
Soybean	30.286	
Soybeans	25.908	
Peas	395.620	
Total		1103.703

Roseneath No. 2		
Barley	164.405	
Oats	106.608	
Wheat	41.847	
Total		312.860

Elmsdale No. 3		
Barley	56.271	
Oats	5.980	
Soybean	26.985	
Total		89.236
Total Grain Handled for farmers		1505.799

VOLUME OF SALES AT EACH ELEVATOR

Island Wheat sold	Metric Tonnes
Kensington No. 1	670.186
Roseneath No. 2	336.466

	Metric Tonnes	
Elmsdale No. 3	–	
Total		1006.652

Western Wheat sold

Kensington No. 1	250.856	
Roseneath No. 2	36.370	
Elmsdale No. 3	–	
Total		287.226
Total Wheat sold		1293.878

Island Oats sold

Kensington No. 1	1008.758	
Roseneath No. 2	741.947	
Elmsdale No. 3	490.214	
Total		2240.919

Western Oats sold

Kensington No. 1	279.812	
Roseneath No. 2	21.270	
Elmsdale No. 3	15.524	
Total		316.606
Total Oats sold		2557.525

Island Barley sold

Kensington No. 1	2195.369	
Roseneath No. 2	1402.965	
Elmsdale No. 3	1767.259	
Total		5365.593

Western Barley sold	Metric Tonnes	
Kensington No. 1	1960.236	
Roseneath No. 2	927.454	
Elmsdale No. 3	256.265	
Total		3143.955
Total Barley sold		8509.548
Ontario Corn sold		
Kensington No. 1	686.474	
Roseneath No. 2	278.456	
Elmsdale No. 3	243.908	
Total Corn sold		1208.838
Rye sold		
Kensington No. 1	185.044	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total Rye sold		185.044
Soybean sold		
Kensington No. 1	531.969	
Roseneath No. 2	280.853	
Elmsdale No. 3	171.911	
Total Soybean sold		984.733
Total Grain sold		14739.566

The reason that one elevator may have sold more than it purchased of each type of grain is the transfers between elevators are not recorded as a sale until actually sold to a user. Also there was a carry over from the previous year resulting in more being sold than purchased this year.

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors

of Prince Edward Island Grain Elevators Corporation

I have examined the balance sheet of the Prince Edward Island Grain Elevators Corporation as at July 31, 1985 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

T. KAPTEIN, C.A.

Auditor General

Charlottetown, Prince Edward Island
November 13, 1985

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
JULY 31, 1985
(with comparitive figures at July 31, 1984)

ASSETS

	1985	1984
Current Assets		
Cash	$ 37,921	$ 4,156
Accounts Receivable – Note 2	377,465	522,642
Prepaid Expenses	13,237	24,563
Inventory of Grain – Note 1(b)	199,677	230,286
	628,300	781,647
Fixed Assets		
Equipment – Note 3	4,417	10,308
Property under Capital Lease – Note 4	420,505	455,792
	$1,053,222	$1,247,747

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable – Trade	$ 37,795	$ 105,475
Current Portion of Obligation Under Capital Lease	35,068	32,527
Allowance for Contingent Loss – Note 5	49,732	49,732
Due to Province of Prince Edward Island	106,555	101,033
	229,150	288,767
Long Term Liabilities		
Due to Province of Prince Edward Island – Note 7	582,555	540,905
Obligation Under Capital Lease – Note 8	424,140	459,208
	1,006,695	1,000,113
Equity		
Retained Earnings, Beginning of Year as previously reported	(140)	–
Adjustment of prior year's income – Note 9	(40,993)	–
As restated	(41,133)	–
Loss for the year	(141,490)	(41,133)
	(182,623)	(41,133)
	$1,053,222	$1,247,747

(Notes 1 to 10 are an integral part of these financial statements)

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME
YEAR ENDED JULY 31, 1985
(with comparative figures at July 31, 1984)

	1985	1984
Sales	$2,810,685	$3,565,828
Cost of Sales		
Inventory, Beginning of Year	230,286	380,868
Purchases	2,267,877	2,730,834
Freight – Net of Assistance	130,974	207,481
Cost of Goods Available for Sale	2,629,137	3,319,183
Inventory, End of Year	199,677	230,286
	2,429,460	3,088,897
Gross Profit on Sales	381,225	476,931
Other Income – Note 10	133,734	164,472
	514,959	641,403
Expenses		
Salaries and Benefits	$ 289,748	$ 284,015
Power, Light and Water	58,748	70,081
Capital Lease – Interest	41,647	43,995
Interest – Long Term	41,650	43,580
Capital Lease – Amortization	35,287	35,287
Repairs and Maintenance	20,692	28,967
Bad Debt Expense	2,724	26,015
Truck Expense	21,104	25,556
Office	22,634	17,464
Insurance	3,895	10,264
Professional Services	6,069	9,597
Honorariums	10,423	8,971
Miscellaneous	1,772	8,402
Telephone and Telegraph	9,021	8,145
Depreciation	5,888	5,888
Interest – Short Term – Note 9	46,504	45,411
Travel	6,638	4,162
Household and Clothing	2,366	3,996
Advertising	6,232	1,375
Field Supplies and Equipment	2,518	1,365
Protein Bonus	20,889	–
	$ 656,449	$ 682,536
Loss for the year	$ (141,490)	$ (41,133)

(Notes 1 to 10 are an integral part of these financial statements)

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1985

1. Summary of significant accounting policies:

   a) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, 1% of the remaining accounts are included in the allowance.

   b) Inventory is valued at the lower of first-in first-out cost and replacement value. At July 31, 1985 in-transit inventory purchases valued at $9,500 are included in inventory.

   c) Asset purchases less than $5,000 are expensed in the period of purchase.

   d) Depreciation is calculated on a straight-line basis on the estimated useful life of the asset.

   e) Property under Capital Lease is amortized on a straight-line basis over the terms of the lease.

2.

	1985	1984
Accounts Receivable – Trade	$299,727	$476,755
Less: Allowance on Doubtful Accounts ...	5,895	26,691
	293,832	450,064
Accounts Receivable – Special Bin	57,244	54,932
– Freight Assistance .	19,297	16,819
– Other	7,092	827
	$377,465	$522,642

3.

	1985	1984
Fixed Assets		
Equipment (cost)	$ 29,443	$ 29,443
Less: Accumulated Depreciation	25,026	19,135
	$ 4,417	$ 10,308

4.

	1985	1984
Property under Capital Lease		
Property (cost)	$610,698	$610,698
Less: Accumulated Amortization	190,193	154,906
	$420,505	$455,792

5. Contingent Liabilities: In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayment to the Authority. A likely loss of $49,732 on this account has been charged to income since 1978.

6. A claim of wrongful dismissal has been made against the Corporation by a former employee. At this time the likelihood of loss is not determinable and amounts cannot be reasonably estimated.

7. In 1972, the P.E.I. Government began advancing the Kensington Grain Elevator funds for working capital purposes. The current balance of $582,555 includes advances of $343,903 plus accumulated interest to July 31, 1984 of $238,652. Interest is charged to the Corporation at the long-term rate charged on advances to crown agencies.

8.

	1985	1984
Obligation Under Capital Lease	$459,208	$491,735
Less: Current Portion	35,068	32,527
	$424,140	$459,208

The following is a schedule of future minimum lease payments under the capital lease expiring July 2, 1997 together with the balance of the obligation under the capital lease.

Year ending July 31	1985
1986	$ 74,174
1987	74,174
1988	74,174
1989	74,174
1990	74,174
Subsequent years	347,924
Total minimum lease payments	718,794
Less: Amount representing	
Interest at – 10%	(208,569)
– 6.5%	(51,017)
Balance of the Obligation	$459,208

9. In August, 1984 the Province began charging interest, retroactive to March 31, 1984 on the short term liability and on accumulated interest on long term debt. The 1984 comparative statements have been adjusted to reflect interest for the period March 31, 1984 to July 31, 1984 in the amount of $40,993.

10. Other Income

	1985	1984
Handling and Drying	$ 66,660	$ 59,986
Storage Fees	28,225	28,063
Service Charges	25,236	31,968
Miscellaneous	13,613	44,455
	$133,734	$164,472